

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------|----------------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Unit Name WEBSTER MEMORIAL LIBRARY | County VAN BUREN |
| Fiscal Year End 6/30/06 | Opinion Date 1/17/07 | Date Audit Report Submitted to State January 24, 2007 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

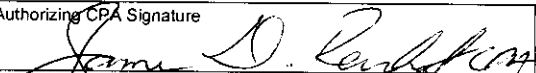
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------|-------------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | There is no letter of comments and recommendations for FY 2006. | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) YEO & YEO, PC | | Telephone Number 269-329-7007 | |
| Street Address 710 E. MILHAM AVE | | City KALAMAZOO | State Zip MI 49002 |
| Authorizing CPA Signature  | | Printed Name JAMES D. REINHART | License Number 1101009422 |

**Webster Memorial Library
Decatur, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2006

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Webster Memorial Library
Organization and Purpose
June 30, 2006

State of Incorporation

Michigan

Office

Decatur, Michigan

Trustees

Oscar Newell.....President

Warren B. Grosvenor Secretary

Gordon Krum Treasurer

Trust Arrangement

Webster Memorial Library is a Michigan Charitable corporation formed March 23, 1960, Trust No. 1-61-460. It is managed by three trustees, and is responsible for maintaining a public library facility located in Decatur, Michigan, bearing the same name.



710 E. Milham
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Independent Auditors' Report

Trustees
Webster Memorial Library
Decatur, Michigan

We have audited the accompanying statement of financial position of Webster Memorial Library as of June 30, 2006, and the related statements of activities and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Webster Memorial Library as of June 30, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

January 17, 2007

Webster Memorial Library
Statement of Financial Position
June 30, 2006

Assets

| | | | | |
|----------------------------------------------------|----|----------------|----------------|-------------------------|
| Cash and cash equivalents | | \$ | 7,734 | |
| Investment in marketable securities, at fair value | | | 3,112,427 | |
| Property and equipment | \$ | 1,451,492 | | |
| Less: accumulated depreciation | | <u>700,927</u> | <u>750,565</u> | |
| Total assets | | | \$ | <u><u>3,870,726</u></u> |

Net Assets

| | | | | |
|--------------|--|----|-------------------------|--|
| Unrestricted | | \$ | <u><u>3,870,726</u></u> | |
|--------------|--|----|-------------------------|--|

See Accompanying Notes to the Financial Statements

Webster Memorial Library
Statement of Activities and Net Assets
For the Year Ended June 30, 2006

Changes in unrestricted net assets

| | |
|---------------------------------------------|----------------------------|
| Revenue | |
| Dividends | |
| Cash | \$ 33,739 |
| Stock | 22,362 |
| Total dividends | <u>56,101</u> |
| Other income | |
| Interest income | 173 |
| Unrealized gains | 197,773 |
| Gain on sale of investments | 3,290 |
| Miscellaneous income | 2,895 |
| Total other income | <u>204,131</u> |
| Total revenue | <u>260,232</u> |
| Expenses | |
| Operating and administrative expenses | |
| Trust administration | 18,304 |
| Library operations | 103,630 |
| Depreciation | 29,019 |
| Total operating and administrative expenses | <u>150,953</u> |
| Total expenses | <u>150,953</u> |
| Change in unrestricted net assets | 109,279 |
| Unrestricted net assets--July 1, 2005 | <u>3,761,447</u> |
| Unrestricted net assets--June 30, 2006 | <u><u>\$ 3,870,726</u></u> |

See Accompanying Notes to the Financial Statements

Webster Memorial Library
Statement of Cash Flows
For the Year Ended June 30, 2006

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities

Change in unrestricted net assets \$ 109,279

Adjustments to reconcile change in unrestricted net assets to net
cash provided by operating activities:

Depreciation 29,019

Unrealized gains on investments (197,773)

Stock dividends (22,362)

Gain on sale on investments (3,290)

Net cash used in operating activities (85,127)

Cash flows from investing activities

Proceeds from sale of securities 70,000

Net decrease in cash and cash equivalents (15,127)

Cash and cash equivalents - beginning of year 22,861

Cash and cash equivalents - end of year \$ 7,734

See Accompanying Notes to the Financial Statements

Webster Memorial Library
Notes to the Financial Statements
June 30, 2006

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The library operates as an independent entity from the Village of Decatur. A trust has been set up to provide funds to operate the library. The trust is managed by a board of three (3) appointed trustees.

The results of the Trust's operations are reflected in these financial statements.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Library considers all treasury bills, certificates of deposit, and money market funds purchased with an original maturity of three months or less to be cash equivalents.

MARKETABLE SECURITIES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

PROPERTY AND EQUIPMENT

| | Balance July 1, 2005 | Additions | Disposals and Adjustments | Balance June 30, 2006 |
|------------------------------|-------------------------|-------------|---------------------------------|--------------------------|
| Land | \$ 101,449 | \$ - | \$ - | \$ 101,449 |
| Buildings and improvements | 1,024,780 | | | 1,024,780 |
| Books and equipment | 126,177 | | | 126,177 |
| Furnishings | 26,724 | | | 26,724 |
| Monument | 12,683 | | | 12,683 |
| Parking lot improvements | 159,679 | - | - | 159,679 |
| Total property and equipment | <u>\$ 1,451,492</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,451,492</u> |

Property and equipment are stated at cost. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not added to the property and equipment account. For financial reporting purposes, the costs of property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Current year depreciation is \$29,019. The asset lives are generally as follows:

| | |
|----------------------------|---------------|
| Books and equipment | 3 - 5 years |
| Furnishings | 5 - 7 years |
| Buildings and improvements | 15 - 39 years |
| Monument | 15 years |
| Parking lot improvements | 15 - 39 years |

Webster Memorial Library
Notes to the Financial Statements
June 30, 2006

INCOME TAXES

The Library is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Service Code, and therefore, no provision for income taxes is included. The Library is classified as a non-private foundation.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Library and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Library and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Webster Memorial Library holds no temporarily restricted net assets as of June 30, 2006.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations mandating such assets to be maintained permanently by the Library. Generally, the donors of these assets permit the Library to use all or part of the income earned on any related investments for general or specific purposes. Webster Memorial Library holds no permanently restricted net assets as of June 30, 2006.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Certain financial instruments potentially subject the Library to concentrations of credit risk. These financial instruments consist primarily of marketable securities.

The Library's marketable securities are in high quality stocks and mutual funds.

At June 30, 2006, the Library's cash balance was insured in full.

Webster Memorial Library
Notes to the Financial Statements
June 30, 2006

NOTE 3 - COMMITMENTS

On December 15, 1998 the Library entered into an agreement with the Van Buren District Library to provide them with funds to cover general care and maintenance of the Library. The agreement is for the Library to pay 4% of the fair market value of the assets consisting of cash, cash equivalents and marketable securities held by the Library as of the preceding June 30 as shown by the annual audited financial statements. The annual distributions will be paid quarterly on January 2, April 1, July 1, and October 1. Any capital expenditures exceeding \$50,000 in any fiscal year of the Library shall be amortized over twenty years resulting in a 5% credit against the distributions in each year of the twenty year amortization period. The credit will be applied equally to each of the quarterly installments.



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Independent Auditors' Report On Supplemental Financial Information

Trustees
Webster Memorial Library
Decatur, Michigan

Our report on our audit of the basic financial statements of the Webster Memorial Library as of and for the year ended June 30, 2006, appears on page 2-1. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

January 17, 2007

Webster Memorial Library
Analysis of Cash Dividends
For the Year Ended June 30, 2006

| | | |
|-----------------------------|----|----------------------|
| Tri-Continental Corporation | \$ | 13,979 |
| Verizon Communications | | 9,882 |
| Putnam Growth Fund | | <u>9,878</u> |
| | \$ | <u><u>33,739</u></u> |

Webster Memorial Library
Analysis of Stock Dividends
For the Year Ended June 30, 2006

| | <u>Shares</u> | <u>Stock Dividends</u> |
|--------------------|---------------|----------------------------|
| Fidelity Fund | 209.337 | \$ 6,542 |
| Putnam Growth Fund | 799.397 | <u>15,820</u> |
| | | \$ <u><u>22,362</u></u> |

Webster Memorial Library
Detail of Administrative and Operating Expenses
For the Year Ended June 30, 2006

| | |
|----------------------------------------------|--------------------------|
| Administrative expenses | |
| Compensation - trustees | \$ 13,500 |
| Auditing services | 4,642 |
| Supplies and miscellaneous | <u>162</u> |
| Total administrative expenses | \$ <u><u>18,304</u></u> |
| Operating expenses | |
| Appropriations to Van Buren District Library | \$ 88,610 |
| Janitorial services | 599 |
| Insurance | 10,551 |
| Repairs and maintenance | <u>3,870</u> |
| Total operating expenses | \$ <u><u>103,630</u></u> |

Webster Memorial Library
Schedule of Investments - Stocks and Mutual Funds
June 30, 2006

| | Shares | Cost | Fair Value | Unrealized Gain (Loss) |
|----------------------------------------------------|------------|----------------------------|----------------------------|------------------------------|
| Tri-Continental Corp. | 51,774.545 | \$ 1,216,036 | \$ 1,007,533 | \$ (208,503) |
| Verizon Communications | 6,100.000 | 42,500 | 204,289 | 161,789 |
| Fidelity Fund, Inc. | 24,358.911 | 548,713 | 792,882 | 244,169 |
| Putnam Growth Fund | 39,957.970 | 533,687 | 806,352 | 272,665 |
| Scudder Investment Portfolio - Capital Growth Fund | 6,503.488 | <u>278,219</u> | <u>301,371</u> | <u>23,152</u> |
| Total | | \$ <u><u>2,619,155</u></u> | \$ <u><u>3,112,427</u></u> | \$ <u><u>493,272</u></u> |